

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Community Development Section****State CDBG Program**

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**CDBG****Community Development Block Grant Program****MANAGEMENT MEMORANDUM****Memorandum Number: 03-12****TO: All Eligible Jurisdictions and Interested Parties****DATE: November 24, 2003**

**SUBJECT: Clarification of New Program Income Policy
Regarding Curtailment of Deduction of "Cost of Collection of
the Revenue"**

Purpose of this Memo

The purpose of this memo is to clarify the new State CDBG Program Income policy regarding "Cost of Collection of the Revenue".

Existing Policy:

Management Memo 03-11, dated November 10, 2003, conveyed a new policy that grantees would no longer be allowed to deduct costs of collection of the revenue from gross Program Income (PI) to determine net PI, except in certain cases. This new policy was not intended to invalidate costs of collection or other CDBG loan portfolio management costs. The intent of the new policy was only that these costs could no longer be "netted out" of PI.

Clarification of Existing Policy:

The policy conveyed in Management Memo 03-11 is silent about how to pay for costs of collection and other CDBG loan portfolio management costs. To clarify, such costs may be charged to CDBG PI as activity delivery and/or general administration within the allowable annual percentages. We have now revised the chart entitled, Cost Categories for General Administration, Activity Delivery and Program Loan/Activity, from page 7-22 of your 2003 CDBG Grant Management Manual (enclosed) in order to provide clarification.

**Cost Categories for General Administration,
Activity Delivery and Program Loan/Activity**

Costs	General Administration	Activity Delivery	Program Loan/Activity
Advertisements	X	X	
Appropriate Fees	X	X	X
Attend Workshops (HCD)	X		
Bidders Conferences	X	X	X
Construction			X
Engineering Draw/Design	X	X	
Environmental Studies	X	X	
Fiscal Reporting	X		
General Coordination	X		
Indirect Costs	X	X	
Insurance Premiums	X	X	
Labor Standards	X	X	
Loan Processing	X	X	
Loan Portfolio Management*	X	X	
Meetings with Banks	X	X	
Meetings with Homeowners/Homebuyers	X	X	
Personnel Costs	X	X	
Predevelopment Costs	X		
Procurement	X	X	
Program Reporting to CDBG	X		
Project Inspections	X	X	
Relocation Costs	X	X	X
Work Write-ups	X	X	

* Loan Portfolio Management costs may include such items as loan servicing fees and costs, recertifying borrower income, tracking insurance coverage, inspecting secured properties, or other time spent dealing with borrowers.